

Employment Growth in Metro and Nonmetro America: A Change in the Pattern?

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Economic growth in nonmetro areas, which spurted ahead of metro growth in the early seventies, has been losing its momentum. More recent growth rate data identify metro areas as solely responsible for increases in the Nation's employment growth rate in the late seventies. The annual rate of job growth in metro areas rose from 1.5 percent in 1969-73 to 2.2 percent in 1973-79, while the nonmetro rate remained essentially unchanged. The slowdown in the nonmetro growth rate was especially evident in the goods-producing industries. (Preliminary data for 1979-82 indicate that the competitive position of nonmetro areas may have deteriorated even further.)

Type of county	Compound annual rates of employment growth	
	1969-73	1973-79
	Percent	
All counties	1.8	2.3
Metro	1.5	2.2
Nonmetro	2.6	2.5

This study examines the stability of metro, nonmetro, and regional employment growth during the seventies. It finds that growth patterns in the decade's second business cycle (1973-79) were not always those established in its first business cycle (1969-73). Thus, caution should be used in extending the metro/nonmetro growth patterns of the early seventies into the eighties.

The Seventies: Overall Growth

Nonfarm wage and salary employment in the United States rose by 1.8 million jobs annually, a compound annual rate of 2.1 percent, during the seventies (table 1). However, growth varied considerably across regions and counties. The West led

the Nation in employment growth with an average annual increase of 3.5 percent, followed by the South with a 2.8-percent increase, the North Central with a 1.5-percent increase, and the Northeast with a 0.6-percent increase. Most of the Northeastern States experienced below-average growth, while the North Central's slow growth was confined largely to the Eastern States (fig. 1). Employment in the West grew much more rapidly in the Mountain States than in the Pacific States. Florida led the South in employment growth.

Employment in nonmetro areas grew at an annual rate of 2.5 percent during 1969-79, a third again as fast as in metro areas (table 2). Nonmetro growth exceeded metro growth by a wide margin everywhere except the South. However, both metro and nonmetro areas were affected by differences in regional economic conditions. For example, growth was sluggish in both metro and nonmetro areas of the Northeast and North Central regions, but buoyant in both area types in the West and South. While growth was extremely depressed in core

About the Data

The employment data analyzed here are nonfarm wage and salary employment for major (1-digit SIC) industries developed by the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. These estimates are based largely on data provided by State employment security agencies from administrative records of each State's unemployment insurance (UI) program. For sectors not covered by UI legislation, such as the government sector, estimates are derived from other data sources.

Unfortunately, standard errors are not available for the BEA employment estimates; so it is not possible to determine which of the growth rate changes reported in this paper are statistically significant.

counties of the greater metro areas of the Northeast and North Central regions, growth rates also were below the national average in nearly every other type of metro county in those regions, except for fringe counties of greater metro areas in the North Central region. On the other hand, employment in all types of metro counties in the West and South grew faster than in the Nation as a whole. Most kinds of nonmetro counties exhibited similar regional variation.

Slow growth in core counties of the greater metro areas (1.1 percent per year) was not fully offset by

rapid growth in fringe counties of the same metro areas (3.3 percent). Consequently, the overall rate of employment increase for the largest metro areas averaged only 1.6 percent compared with 2.4 percent for medium metro areas and 2.5 percent for smaller metro areas. Thus, employment dispersed from the larger to the smaller population centers. Within nonmetro America, employment growth also was more rapid in the more sparsely settled and more rural counties. Average annual growth rates ranged from 2.1 percent in urbanized nonmetro counties adjacent to metro areas to 3.0 percent or more in totally rural counties.

Table 1—Compound annual rates and distribution of growth in nonfarm wage and salary employment by region, 1969-79¹

Item and industry	United States	North-east	North Central	South	West
<i>Million</i>					
All industries: Total employment, 1979	94.5	21.0	24.8	30.4	18.3
<i>Thousand</i>					
Average annual absolute employment change	1,755	131	352	743	528
<i>Percent</i>					
Compound annual rate of employment change:					
All industries	2.1	.6	1.5	2.8	3.5
Goods-producing industries	.8	1.2	.1	2.2	3.0
Mining	4.4	1.9	2.5	5.3	4.4
Contract construction	2.3	1.2	.8	3.6	5.3
Manufacturing	.4	1.2	1.1	1.6	2.2
Service-producing industries	2.6	1.5	2.3	3.1	3.6
Agricultural services ²	6.0	2.7	3.4	6.6	8.2
Wholesale and retail trade	3.1	1.5	2.4	4.2	4.5
Transportation, communications, and public utilities	1.4	.2	.9	2.6	2.4
Finance, insurance, and real estate	3.4	1.5	3.0	4.5	5.3
Services	3.5	2.7	3.5	3.3	5.0
Government	1.3	.7	1.2	1.7	1.5
Percentage of absolute total change:					
All industries	100.0	100.0	100.0	100.0	100.0
Goods-producing industries	11.8	58.5	2.1	22.5	20.7
Mining	1.9	.9	.9	3.0	1.3
Contract construction	5.3	6.8	2.4	7.2	7.5
Manufacturing	4.6	52.6	1.2	12.3	11.9
Service-producing industries	88.2	158.5	97.9	77.5	79.3
Agricultural services ²	1.3	1.1	.6	1.2	1.8
Wholesale and retail trade	30.6	44.7	33.4	29.1	27.5
Transportation, communications, and public utilities	3.9	1.5	3.3	5.0	4.0
Finance, insurance, and real estate	8.1	13.6	8.8	7.0	7.9
Services	31.4	81.9	38.6	21.5	28.1
Government	12.9	18.7	13.2	13.8	10.0

¹Detail may not add exactly to totals due to rounding.

²Mostly agricultural services employment, but also includes forestry and fisheries employment.

Source: Compiled from unpublished data from the Bureau of Economic Analysis, U.S. Department of Commerce.

Sources of Growth

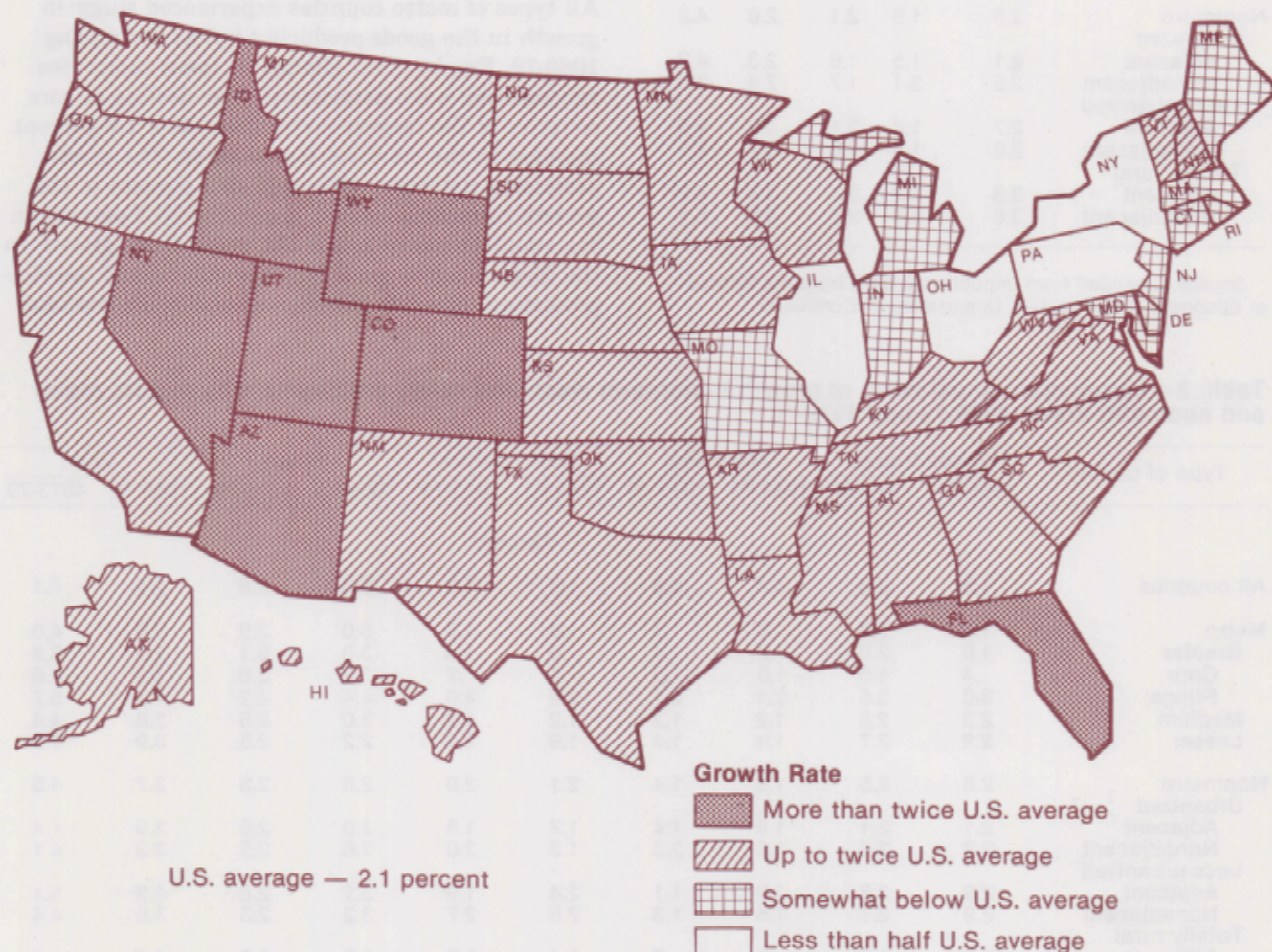
Employment increased in all major industry groups between 1969 and 1979, but there were wide differences among industries (table 1). Growth was well above the all-industry average of 2.1 percent per year in agricultural services (6.0 percent); mining (4.4 percent); services (3.5 percent); and finance, insurance, and real estate (3.4 percent); and below average in manufacturing (0.4 percent); transportation, communications, and public utilities (1.4 percent); and government (1.3 percent). Over three-fifths of the average annual increase of 1.8 million jobs occurred in wholesale and retail trade and ser-

vices. The goods-producing sector provided only 11.8 percent of the employment increase, with manufacturing by itself providing less than 5 percent of the new jobs.

The industrial structure of employment growth in nonmetro areas differed from metro areas. One reason is that agricultural services and mining, the two fastest growing industries, have always been more important in the nonmetro than in the metro economy. Second, nonmetro areas gained a larger share of the Nation's manufacturing employment during 1969-79. Manufacturing employment increased 1.5 percent per year in nonmetro areas, while remaining unchanged in metro areas. And finally,

Figure 1

Employment Growth, 1969-79*



*Compound annual rate of change in nonfarm wage and salary employment.

construction employment increased much more rapidly in nonmetro than metro areas. During 1969-79, all goods-producing industries combined (mining, construction, and manufacturing) provided over 25 percent of the new jobs in nonmetro areas, but only 6

percent of the growth in metro areas. In metro America, two fast-growing service-producing industries (wholesale and retail trade and services) accounted for almost 70 percent of the total employment growth. These two industries supplied less than half of the nonmetro growth.

Table 2—Compound annual rates of growth in nonfarm wage and salary employment by region, metro and nonmetro areas, 1969-79

Type of county	United States	North-east	North Central	South	West
	<i>Percent</i>				
All counties	2.1	0.6	1.5	2.8	3.5
Metro	1.9	.5	1.4	2.9	3.3
Greater	1.6	.2	1.1	3.2	2.9
Core	1.1	-.6	.4	2.7	2.7
Fringe	3.3	2.1	3.6	4.3	5.0
Medium	2.4	1.2	1.7	2.9	4.0
Lesser	2.5	1.5	2.0	2.6	4.4
Nonmetro	2.5	1.6	2.1	2.6	4.2
Urbanized					
Adjacent	2.1	1.5	1.6	2.3	4.2
Nonadjacent	2.5	2.1	1.7	2.4	3.8
Less urbanized					
Adjacent	2.7	1.4	2.1	2.9	4.8
Nonadjacent	2.8	1.4	2.6	2.7	4.1
Totally rural					
Adjacent	3.3	1.2	3.1	3.4	4.2
Nonadjacent	3.0	3.1	2.2	2.8	5.1

Source: Compiled from unpublished data from the Bureau of Economic Analysis, U.S. Department of Commerce.

Employment growth rates within nonmetro America were greater in the more rural counties than in the more urbanized counties mainly because there was a geographic dispersion of employment in the goods-producing industries. Annual growth rates in the goods-producing industries ranged from 1.0 percent in urbanized counties adjacent to an SMSA to 4.0 percent in the totally rural adjacent counties. Service-producing employment also increased faster in the totally rural counties but the service-producing growth rates varied less by degree of urbanization, from 2.7 percent to 3.0 percent.

All types of metro counties experienced sluggish growth in the goods-producing industries during 1969-79. Employment change in these industries ranged from a 0.5-percent-per-year decline in core counties of the largest metro areas to a 1.6-percent increase in the smallest metro areas. The goods-producing industries provided 10.1 percent of the growth in medium metro areas and 18.2 percent in the smallest metro areas, but none of the growth in the largest metro areas. On the other hand, service-producing industry growth was above the national

Table 3—Compound annual rates of growth in nonfarm wage and salary employment by region, metro and nonmetro areas, 1969-73 and 1973-79

Type of county	United States		Northeast		North Central		South		West	
	1969-73	1973-79	1969-73	1973-79	1969-73	1973-79	1969-73	1973-79	1969-73	1973-79
	<i>Percent</i>									
All counties	1.8	2.3	0.4	0.8	1.2	1.8	2.9	2.8	2.5	4.1
Metro	1.5	2.2	.3	.7	.9	1.7	3.0	2.9	2.2	4.0
Greater	1.0	2.0	-.2	.4	.6	1.5	3.3	3.1	1.6	3.8
Core	.4	1.5	-1.0	-.3	-.1	.7	2.8	2.6	1.3	3.6
Fringe	3.0	3.5	2.1	2.1	2.9	4.0	4.4	4.2	4.1	5.7
Medium	2.3	2.5	1.2	1.2	1.2	1.9	3.0	2.8	3.6	4.4
Lesser	2.2	2.7	1.4	1.6	1.9	2.0	2.2	2.8	3.9	4.8
Nonmetro	2.6	2.5	1.8	1.4	2.1	2.0	2.8	2.5	3.7	4.5
Urbanized										
Adjacent	2.1	2.1	1.8	1.4	1.7	1.5	2.0	2.5	3.9	4.4
Nonadjacent	2.3	2.6	1.9	2.3	1.2	2.0	2.6	2.2	3.2	4.1
Less urbanized										
Adjacent	2.9	2.5	1.9	1.1	2.4	1.9	3.1	2.8	4.3	5.1
Nonadjacent	2.9	2.7	1.5	1.3	2.5	2.7	3.2	2.3	3.6	4.4
Totally rural										
Adjacent	3.4	3.3	1.8	.7	3.4	2.9	3.5	3.3	3.2	4.9
Nonadjacent	3.2	2.9	3.8	2.6	2.5	2.0	3.3	2.5	4.5	5.6

Source: Compiled from unpublished data from the Bureau of Economic Analysis, U.S. Department of Commerce.

average in all types of metro counties except the core counties of the largest metro areas.

Differences in regional economic conditions affected employment growth in all major industries during the decade. Nearly all industries had below-average growth rates in the slow-growing Northeast and North Central regions and above-average growth rates in the fast-growing West and South (table 1). The goods-producing industries provided essentially none of the employment growth in the Northeast and North Central region, but 22.5 percent of growth in the South and 20.7 percent in the West. The rate of employment increase in the service-producing industries exceeded the rate of increase in the goods-producing industries in all regions. The service-producing industries had a growth advantage over the goods-producing industries of 2.7 percentage points in the Northeast, 2.2 points in the North Central region, 0.9 point in the South, and 0.6 point in the West.

The Late and the Early Seventies: Growth Comparisons

Total U.S. employment increased at an average annual rate of 2.3 percent during the 1973-79 business cycle, up from 1.8 percent during the 1969-73 business cycle (table 3). The 1973-79 metro/nonmetro and regional employment growth patterns were similar to the 1969-73 patterns in most respects but different in others.

Here are the similarities in the employment growth patterns:

- During the second business cycle, the nonmetro employment growth rate continued to exceed the metro rate although by a much narrower margin than during 1969-73 (fig. 2). Nonmetro areas had a growth advantage over metro areas of 0.3 percentage point in the later period compared with 1.1 percentage points in the earlier period.
- Employment continued to decentralize in both metro and nonmetro America, and to increase more rapidly than in the Nation as a whole in less urbanized and less populous counties.
- All types of nonmetro counties had average annual growth rates during 1973-79 that were within four-tenths of a percentage point of the 1969-73 rate. The rate of growth for all nonmetro counties dropped slightly from 2.6 percent to 2.5 percent.

About the Classification of Counties

This report compares metro and nonmetro counties in the four census regions. Comparisons also are made among different types of metro and nonmetro counties. Metro counties are those located in Standard Metropolitan Statistical Areas (SMSA's). In general, an SMSA is a county or group of counties that contains a city or twin cities with 50,000 inhabitants or more. In addition to the county containing that city, adjacent counties are included in an SMSA if they are socially and economically integrated with the central city. SMSA's used here are those defined by the U.S. Office of Management and Budget as of early 1973.

In this report, SMSA's are divided into three classes based on 1970 Census of Population data:

- Greater—with over 1 million residents. The greater SMSA's are further divided into core counties, which contain the central city, and fringe counties, which make up the suburban ring around the central city;
- Medium—between 250,000 and 1 million residents;
- Smaller—with fewer than 250,000 residents.

The nonmetro population resides in counties outside SMSA's. In this report nonmetro counties are divided into three classes based on the number of their urban residents. The Census Bureau defines urban residents as persons who live in places with a population of 2,500 or more. The classes of nonmetro counties are:

- Totally rural—with under 2,500 urban residents;
- Less urbanized—with 2,500 to 20,000 urban residents;
- Urbanized—with more than 20,000 urban residents.

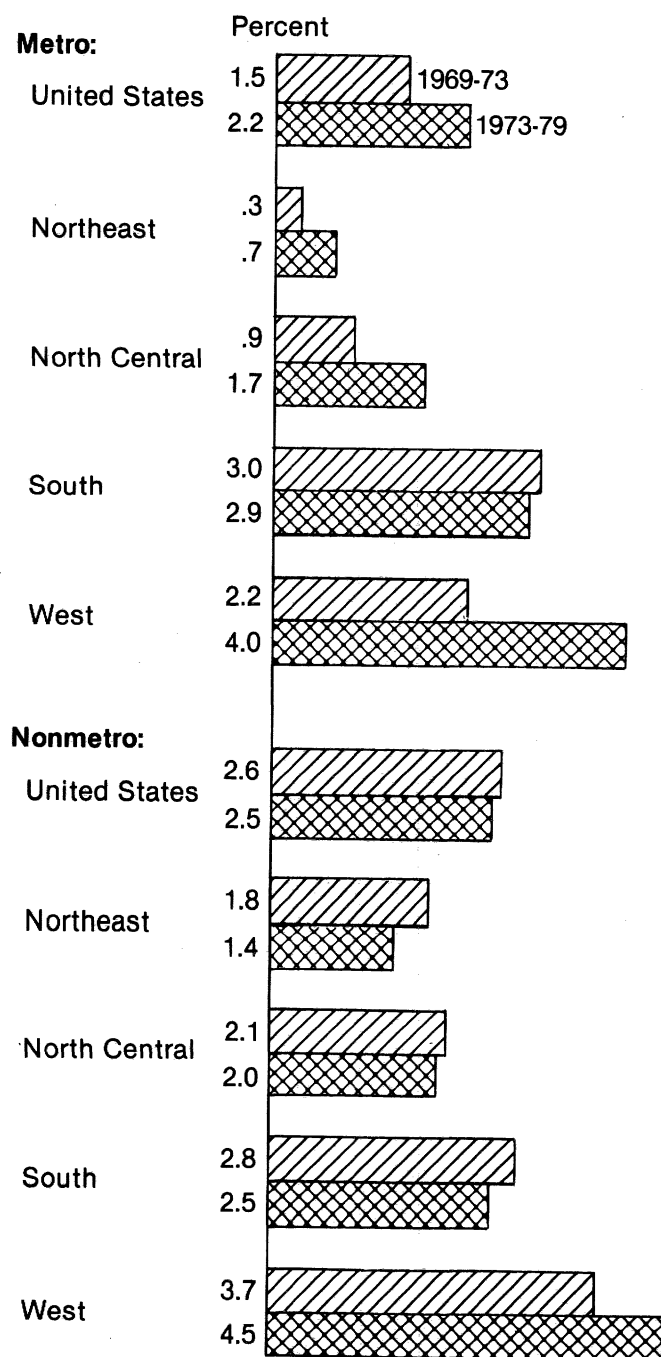
Each of these classes of nonmetro counties is further categorized as to whether it is adjacent to an SMSA or not adjacent.

For further information about this system of classifying counties, see Fred K. Hines *et al.*, *Social and Economic Characteristics of the Population in Metro and Nonmetro Counties, 1970*. AER-272, U.S. Department of Agriculture, Economic Research Service, March 1975.

Overall patterns of total employment growth in 1973-79 differed from those in 1969-73. Total employment growth increased dramatically from 2.5 percent per year to 4.1 percent in the West, and increased moderately from 0.4 percent to 0.8 percent in the Northeast and from 1.2 percent to 1.8 percent in the North Central region. The growth rate in the

Figure 2

Metro and Nonmetro Employment Change by Region*



*Compound annual rate of change in nonfarm wage and salary employment.

South did not increase. As a result of these changes, the West replaced the South as the fastest growing region.

The increase in the Nation's employment growth rate from 1969-73 to 1973-79 was due entirely to a revival of growth in metro areas. The U.S. metro growth rate rose from 1.5 percent to 2.2 percent per year while the nonmetro rate remained essentially unchanged. Nonmetro areas' share of total employment growth declined from 32.5 percent to 24.8 percent over the two periods. The metro growth rate increased appreciably in every region except the South. Outside the South, nearly all types of metro counties showed improved growth but the most striking growth recovery occurred in the most populous counties.

Changes in employment growth rates varied widely by State in each of the four major regions (fig. 3). The dramatic upsurge in the West's growth was concentrated in California, Washington, Nevada, and Wyoming. Most of the growth improvement in the North Central region occurred in Kansas, Missouri, Iowa, and Illinois. Growth rates increased sharply in some New England States but relatively little in the Middle Atlantic States. Large increases in Texas, Oklahoma, and Louisiana just about offset declines in some of the Southern region's Eastern States.

Changing Sources of Growth

National employment growth increased in both the goods-producing and service-producing sectors; however, the increase in the goods-producing sector was larger. Growth increased from 0.3 percent per year to 1.2 percent in goods-producing industries and from 2.4 percent to 2.7 percent in service-producing industries. Employment growth picked up in all major industry groups except contract construction, finance, insurance and real estate, and government. Growth increased most in mining, agricultural services, services, and manufacturing. These four industries accounted for 44.5 percent of the total employment growth during 1973-79 compared with 27.8 percent during 1969-73.

All of the improvement in goods-producing industry growth between 1969-73 and 1973-79 occurred in metro areas; growth declined in nonmetro areas (fig. 4). The metro growth rate changed from a 0.4-percent-per-year-decline to a 0.9-percent increase, while the nonmetro rate fell from 2.3 percent to 1.9 percent. The service-producing industry growth rate increased in metro areas (from 2.3 percent to 2.7

percent) and was unchanged at 2.8 percent in non-metro areas.

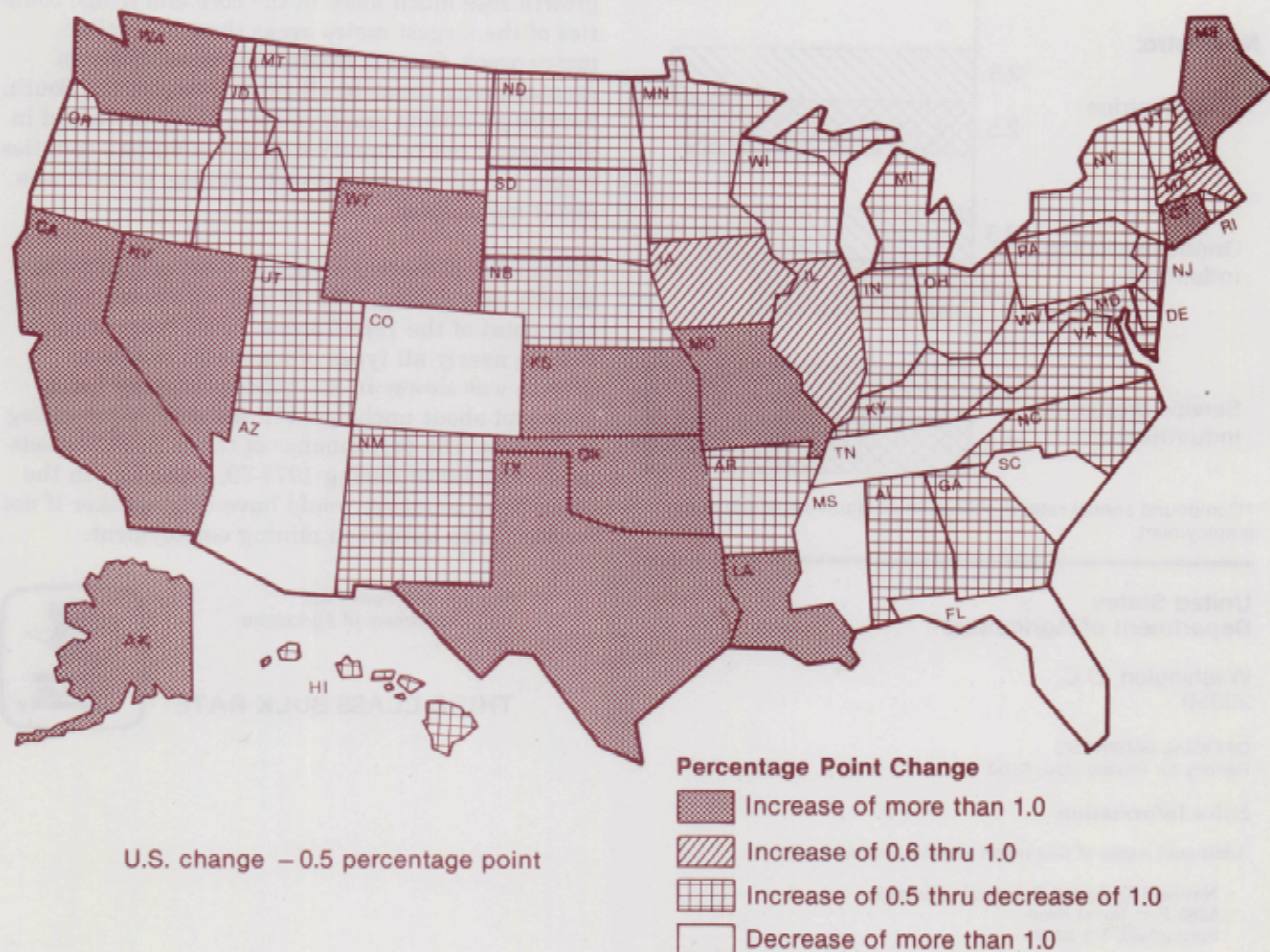
Changes in major sources of employment growth differed by region. Total employment in the Northeast grew at an average annual rate of 0.8 percent during 1973-79, compared with 0.4 percent during 1969-73. The growth increase stemmed from improvements in manufacturing, mining, and services which more than offset reduced growth in other industries. Northeast employment growth rose from 0.3 percent per year to 0.7 percent in metro areas but declined from 1.8 percent to 1.4 percent in non-metro areas. Northeastern growth gains were confined to manufacturing, services, and wholesale and retail trade in metro areas and to manufacturing and mining in nonmetro areas.

Employment growth in the North Central region rose from 1.2 percent per year during 1969-73 to 1.8 percent during 1973-79 and was spread across all industries except government. Employment in the goods-producing industries, which declined by 0.5 percent per year during 1969-73, increased by 0.5 percent during 1973-79. As in the Northeast, all of the growth improvement occurred in metro areas; nonmetro growth was about unchanged. Metro employment growth rose in all industries except government, transportation, and communications and public utilities. In North Central nonmetro areas, reduced growth in manufacturing, services, government, and finance, insurance, and real estate slightly more than offset faster growth in other industries.

Employment growth in the South dropped slightly

Figure 3

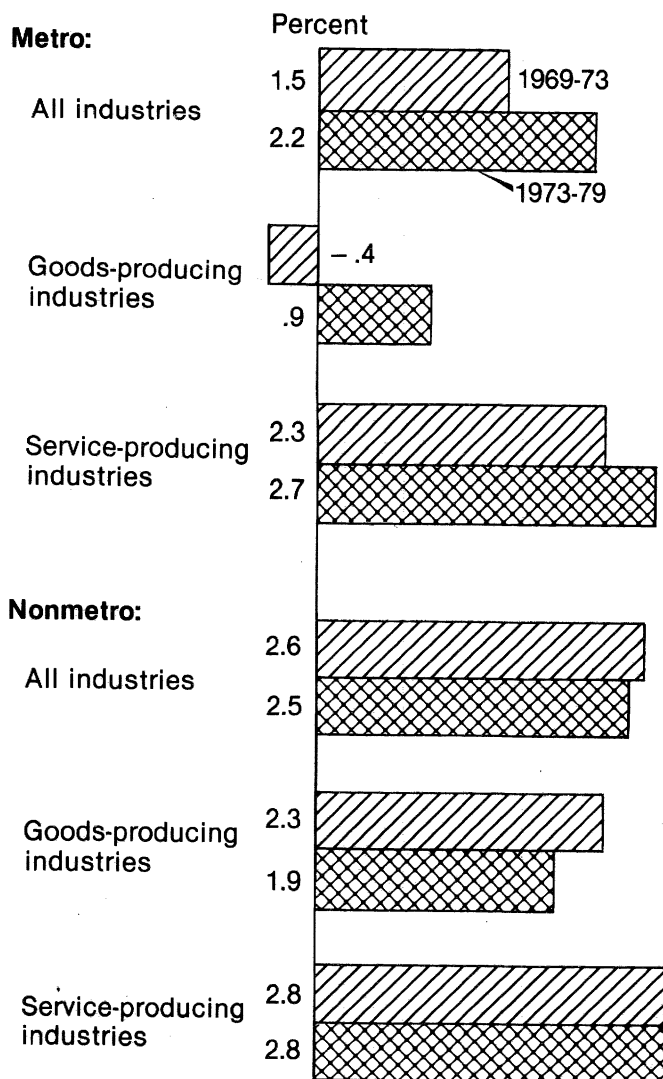
Change in Employment Growth 1969-73 to 1973-79*



*Compound annual rate of change in employment during 1973-79 minus change during 1969-73

Figure 4

Employment Change in Goods-Producing and Service-Producing Industries*



*Compound annual rate of change in nonfarm wage and salary employment.

from 2.9 percent per year during 1969-73 to 2.8 percent during 1973-79. Growth declines in contract construction, manufacturing, wholesale and retail trade, transportation, and communications and public utilities more than offset increases in other industries. Growth rates slowed in both metro and nonmetro areas mainly because of slower growth in the goods-producing industries.

Employment growth in the West increased sharply from 2.5 percent per year to 4.1 percent. While growth rates increased in all industries except one, much of the improved growth performance stemmed from accelerated growth in manufacturing and services. The improvement in industrial growth was more broadly based in metro than in nonmetro areas.

Within the Nation's metro area the total employment growth rates increased in all types of counties between 1969-73 and 1973-79. However, goods-producing (primarily manufacturing) employment growth rose much more in the core and fringe counties of the largest metro areas than in smaller metro areas. Growth improved substantially in greater metro areas in all regions except the South. Service-producing employment growth increased in all types of metro counties except suburban counties where the high rate of growth during 1969-73 was about maintained.

Within the nonmetro area, the total employment growth rate during 1973-79 was within 0.4 percentage point of the 1969-73 rate in all types of counties. In nearly all types of nonmetro counties, growth was slower in the goods-producing industries and about unchanged in the service-producing industries. The performance of the nonmetro goods-producing sector during 1973-79, especially in the more rural counties, would have been weaker if not for the sharp upturn in mining employment.

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